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CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

4 June 1980

MEMORANDUMCuban-Big Six Economic Relations*

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Commercial relations between Cuba and the Big Six nations typify economic relationships between most LDCs and developed countries: the exchange of primary commodities for manufactured goods and technology. Although relatively unimportant to the Big Six, the relationship substantively complements Cuba's Soviet-oriented trade pattern. While trade totals are down from their mid-1970 highs, Havana is seeking to increase them in the wake of the current runup in world sugar prices. The Big Six countries may well respond favorably to such requests.

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Cuban-Big Six Trade

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Cuban-Big Six trade consists of the exchange of:

--Cuban sugar (in the case of Canada and Japan), seafood, nickel, tobacco products, and miscellaneous items for

*The Big Six countries are Japan, West Germany, France, the UK, Italy, and Canada.

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This memorandum was prepared by [redacted] the Cuba Analytic Center, Latin America Division of the Office of Political Analysis. It was requested by the National Security Council Staff. Information in this memorandum includes all reports received through 2 June. It was coordinated with the Office of Economic Research and the National Intelligence Officer for Latin America. Questions and comments may be addressed to Chief, Cuba Analytic Center.

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--Big Six capital goods, including whole industrial plants, transportation equipment, and intermediate goods.

Trade perennially favors the Big Six; Cuban deficits are financed by Havana's trade surpluses with other LDCs, and by private and government guaranteed financial credits in the developed West.

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After rising steadily in the early part of the decade, the value of trade has declined significantly since the mid-1970s because of (a) reduced sugar deliveries to Japan and (b) the sharp reduction in Cuba's hard currency import capacity caused by low sugar prices and Havana's inability to expand its hard currency debt.

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Big Six-Cuban Trade

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Million US\$

	<u>Big Six Exports f.o.b.</u>	<u>Big Six Imports c.i.f.</u>	<u>Balance</u>
1971	276	184	92
1972	212	203	9
1973	316	270	46
1974	666	620	46
1975	1060	501	559
1976	788	234	554
1977	749	196	553
1978	613	279	334
1979	643	371	272

The downturn in trade has been accompanied by a reduction in Cuban drawings on private and government guaranteed credits in the Western financial markets. These reductions primarily reflect Cuba's reluctance to incur additional hard currency debt at a time when outstanding debt was pressing Havana's upward limit and the prospect for export growth was poor. With sugar prices now on the rise, however, we

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believe that the Castro regime will begin seeking additional private and government guaranteed credits from the Big Six and that Big Six lenders may well fulfill these Cuban requests. [redacted]

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Although we have no evidence of any significant syndicated borrowings in the Eurocurrency markets thus far this year, Cuba has secured a standard \$30 million credit guarantee from Tokyo and a new \$16 million guarantee from Paris for the purchase of French foodstuffs. [redacted]

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[redacted] The Castro regime also is requesting additional trade and commercial credits from other Big Six countries. Nonetheless, we doubt that the Big Six would reinstitute or expand development aid to Cuba because of the political sensitivities surrounding such programs. [redacted]

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Big Six Perspective

The Big Six interest in trading with Havana stems primarily from a desire to diversify and expand export markets rather than from the need for Cuban products. Big Six exports to Cuba amount to only 0.1 percent of total Big Six exports, and 0.06 percent of total imports. Nevertheless, Cuba annually constitutes a \$1.0 billion centrally planned market for Western goods, which individual Western suppliers find attractive and which Havana utilizes to play one supplier against the other. Moreover, Big Six trade with Havana has generated an annual surplus for these countries averaging \$450 million over the last five years. [redacted]

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Cuban Perspective

Commercial relations between Cuba and the Big Six nonetheless remain of greater importance to Havana, accounting for 5.0 percent of Cuban exports and 14.0 percent of Cuban imports. They constitute (a) the major alternative to goods and technology which cannot be obtained from the USSR and other Communist countries or from the US because of the

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economic embargo; (b) an annual market in Canada and Japan for at least 600,000 tons of Cuban sugar--about 30 per cent of total Cuban sugar exports to the world free market; and (c) access to private and government commercial credits--however limited--necessary for Havana to finance its trade imbalances with the developed West.

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